

CITY OF BUFFALO, IOWA

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the Period
July 1, 2014 Through June 30, 2015

CITY OF BUFFALO, IOWA

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CITY OF BUFFALO, IOWA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas Anderson	Mayor	Dec 2015
Joan Marie Hammons	Council Member/Mayor Pro-tem	Dec 2015
Dave Stickrod	Council Member	Dec 2015
Sally Rodriquez	Council Member	Dec 2017
Olin Meador	Council Member	Dec 2017
Art Bartelson	Council Member	Dec 2017
Tanna Leonard	City Clerk	Indefinite
Riki Harrington	Deputy Clerk	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of the City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Buffalo, Iowa for the period July 1, 2014 through June 30, 2015. The City of Buffalo, Iowa's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. We reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Buffalo, Iowa, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Buffalo, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Buffalo, Iowa and other parties to whom the City of Buffalo, Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Buffalo, Iowa during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bettendorf, Iowa
February 10, 2016

Gabelmann & Associates, P.C.

CITY OF BUFFALO, IOWA

Detailed Recommendations

For the Period July 1, 2013 through June 30, 2014

- (1) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:
- (a) Cash - handling, reconciling and recording.
 - (b) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
 - (c) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - (d) Payroll - recordkeeping, preparing and distributing.
 - (e) Utilities - billing, collecting, depositing and posting.
 - (f) Financial reporting - preparing and reconciling.
 - (g) Journal entries - preparing and journalizing.
 - (h) Investments - detailed record keeping, custody of investments and reconciling earnings.
 - (i) Long-Term debt - recording, reconciling and performing transactions.
 - (j) Computer system - controlling data inputs and outputs related to accounting systems.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (2) City Fire Department - The City has a volunteer fire department. The public funds received by the City of Buffalo, Iowa related to Fire Department operations are recorded in the City's accounting records. The fundraising activities of the volunteers and supporters of the Fire Department in the community are kept separately.

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Detailed Recommendations

For the period July 1, 2014 through June 30, 2015

(2) City Fire Department, continued

In February of 2015, the supporters of the Fire Department formed the Buffalo Volunteer Fire Department Association, Inc., an Iowa Code 504 Revised domestic non-profit. Since that time, fundraising activities by the volunteer association have been accounted for under this organization and subject to rules related to non-profit organizations under state and federal laws and regulations.

Recommendation - Care should be taken not to comingle public and private funds.

(3) Bank Reconciliations - The cash and investment balances in the City's general ledger were reconciled to bank and investment account balances throughout the year. For the two months reviewed, bank and book balances did properly reconcile. However, no independent review was noted.

Recommendation - The City should establish procedures to ensure an independent person performs a review of the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

(4) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation - A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

(5) City Community Center - The City of Buffalo, Community Center maintains separate accounting records for its operations. These transactions and resulting balances are not included in the City's accounting records.

Recommendation - The Community Center financial activity and balances should be included in the City's accounting records and included in the amounts reported to the City Council. The accounting for all receipts and disbursements for City purposes as part of the City's accounting records would allow for better accountability, financial and budgetary control. Chapter 384.20 of the Code of Iowa states "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any purpose."

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- (6) Adequate Supporting Documentation for Selected Disbursements - One payment selected for testing indicated five invoices were paid. However, only four supporting invoices were attached to the check copy/ stub retained for City records. Also, two of the supporting invoice numbers did not correspond to the invoice number entered into the City accounting software.

Recommendation - The City should only pay what is supported by underlying invoices and the invoice number should be entered into the accounting software to ensure that invoice payments are not duplicated. It should be noted that as soon as this was discussed with the City Clerk, the Assistant City Clerk was observed calling the vendor in question to request a review of their account for potential overpayment, and the vendor is one routinely and regularly used by the City so that in the event of over payment, recovery is highly likely.